

Message Text

UNCLASSIFIED

PAGE 01 STATE 111514
ORIGIN COME-00

INFO OCT-01 NEA-10 ISO-00 EB-07 /018 R

DRAFTED BY COM/BIC/CAGNE/MMAUGHAN: DJW
APPROVED BY EB/OCA/CD:REDAY
COM/BIC/CAGNE/PBHALE
STATE/NEA/IAI/XVUNOVIC (BY PHONE)
NEA/RA:DMORAN (INFO)

-----151723Z 010898 /41

R 151435Z MAY 77
FM SECSTATE WASHDC
TO AMEMBASSY TEL AVIV

UNCLAS STATE 111514

E.O. 11652:N/A

TAGS: BEXP, US, IS

SUBJECT:CHANGES IN OBR REPORT

1. BECAUSE OF NUMBER OF QUESTIONS RAISED BY PRESENT TEXT
IN DRAFT/OBR AS WELL AS PROPOSED CHANGES IN NEW U.S.-
ISRAELI TAX TREATY NOW BEFORE SENATE, CAGNE PROPOSES
FOLLOWING TEXT REVISIONS FOR SAKE OF SIMPLICITY AND CLARITY.

2. IN SECTION ON TAXATION (PAGE 46), SUGGESTED NEW TEXT:
BEGIN TEXT. "CORPORATE (INCLUDING WITHHOLDING) TAX" THE
CORPORATE TAX CONSISTS OF TWO ELEMENTS, THE COMPANY TAX
AND THE WITHHOLDING TAX. THE CORPORATE TAX MUST BE PAID BY
EVERY COMPANY WITHIN ISRAEL. RESIDENT COMPANIES ARE TAXED
ON ISRAELI-SOURCE INCOME ONLY. (NOTE: THESE ARE GENERALI-
ZATIONS AND MAY NOT APPLY IN ALL CASES. FOREIGN INVESTORS
SHOULD OBTAIN EXPERT TAX ADVICE ABOUT SPECIFIC SITUATIONS.)
OF PARTICULAR INTEREST TO THOSE CONTEMPLATING INVESTMENT IN
ISRAEL ARE THE TAX INCENTIVES OFFERED TO APPROVED AND
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RECOGNIZED ENTERPRISES. THESE OPERATIONS ARE SUBJECT TO A
COMPANY TAX OF 40 PERCENT DURING A 5-YEAR PERIOD BEGINNING
WITH THE FIRST YEAR IN WHICH THERE IS TAXABLE INCOME.
(INCOME IS TAX-FREE AS LONG AS THE INVESTMENT IN MACHINERY
AND EQUIPMENT IS NOT YET PAID BACK BY NET PROFITS.) IN

ADDITION, AS A FURTHER INCENTIVE TO THESE BUSINESSES, THE

LAW FOR ENCOURAGEMENT OF INDUSTRY ALSO PROVIDES FOR A
REDUCTION OF INCOME TAX WITHHOLDING TO 15 PERCENT ON
DIVIDENDS DISTRIBUTED FROM PROFITS EARNED DURING THE SAME
5-YEAR PERIOD. THEREAFTER REGULAR RATES APPLY. THESE
RATES MAY BE FURTHER ADJUSTED UNDER THE TERMS OF THE NEW
U.S.-ISRAELI TAX TREATY NOW BEFORE THE U.S. SENATE. (FOR
FURTHER DETAILS ON TAX INCENTIVES, SEE APPENDIX.) END

TEXT.

3. REQUEST EMBASSY CONCURRENCE OR COMMENT ASAP. CHRISTOPHER

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Sent Date: 15-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE111514
Document Source: CORE
Document Unique ID: 00
Drafter: DJW
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770172-0977
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770555/aaaabvnc.tel
Line Count: 73
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 62374693-c288-dd11-92da-001cc4696bcc
Office: ORIGIN COME
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2512944
Secure: OPEN
Status: NATIVE
Subject: CHANGES IN OBR REPORT
TAGS: BEXP, US, IS
To: TEL AVIV
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/62374693-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009